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The Factors Influencing Village Financial Management

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Abstract

This study examines village financial management and the factors that influence it. The principles of village financial management consist of transparent, accountable, participatory, orderly, and disciplined budgeting. Village financial management requires hard work. This study examines the factors that influence village financial management. The method used in this research is the documentation technique. This study found that the factors influencing village financial management were divided into the government and the community. These factors include accountability, transparency, and lack of community participation. Delayed enactment of regional regulations, accompanied by low resources in implementing village fund programs, is also a factor influencing village financial management.

Keywords: government, financial management, village

1. Introduction

Indonesian Law No. 17 of 2003 concerning State Finances states that state finances are all rights and obligations of the state that can be valued in money, as well as everything either in the form of money or in the form of goods that the state can own in connection with the implementation of these rights and obligations. State finances are managed in an orderly manner, in compliance with laws and regulations, efficiently, economically, effectively, transparently, and responsibly by considering the sense of justice and propriety. One must pay attention to and apply the underlying legal principles in managing state finances. State finances are intended to improve services in managing state finances (Saidi, 2011). State finances, in a broad sense, contain a substance not limited to the state revenue and expenditure budget but a unit that includes regional finance sourced from the State Revenue and Expenditure Budget (APBN).
Regional finance can be interpreted as all rights and obligations that can be assessed with money, as well as all units, both in the form of money and goods, which can be used as regional wealth as long as they are not owned/controlled by the state or higher regions and other parties following the provisions / applicable laws and regulations Halim, et al., (2010) in (Danial et al., 2014). Government Regulation No. 58 of 2005 concerning Regional Financial Management states that regional financial management is carried out in an orderly manner, complies with laws and regulations, is efficient, economical, effective, transparent, and responsible by taking into account the principles of justice, decency, and benefits for the community (Ardhi, 2016).

Indonesian Law No. 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, Article 66 paragraph (1) states that regional finances must be managed in an orderly manner, comply with laws and regulations, be efficient, economical, effective, transparent and responsible by paying attention to justice, decency, and benefits for the community. Therefore, regional financial management is carried out with an output-oriented performance approach and the principles of good governance.

Village finance is all the rights and obligations of the village that can be assessed with money and everything in the form of money and goods related to implementing village rights and obligations. Meanwhile, village financial management is the entire activity that includes planning, implementation, administration, reporting, and village financial accountability (Permendagri, 2018). Village funds sourced from the state budget are managed by the village government, which organizes village financial management. In addition, the scope of funds managed by the village government includes "Government Transfer Fund (central), Village Fund Allocation (ADD), Regional Tax and Levy Revenue Sharing, Provincial Financial Assistance, and Village Original Revenue (PADes)" (Basri, et al., 2021).

2. METHOD

Research is carried out by looking at the context of the problem by presenting a picture and or understanding of how and why a symptom or writing reality occurs. The technique used is a documentation technique. Documentation techniques collect information from books, observations, literature reviews from experts, and journals. Bowen (2009) document study is a systematic procedure for reviewing or assessing printed and electronic documents, including material from the internet.

According to (Arikunto, 2010), documentation research techniques are looking for data on research matters or variables in the form of notes, books, papers or articles, journals, and news. This research documentation technique is in the form of documentation, namely the guidelines used in the form of notes or quotations. In this study, the documents in question are laws and regulations and journal studies of relevant research on village financial management and the factors that influence it.

3. DISCUSSION

3.1 Regional Autonomy and Autonomous Regions

Indonesian Law No. 32 of 2004 article 1 paragraph (5), regional autonomy is the right, authority, and obligation of autonomous regions to regulate and manage their government affairs and the interests of local communities following laws and regulations. Quoted from (Sijabat, 2014), the implementation of regional autonomy in Indonesia is based on the legal basis of Law No. 32 of 2004 concerning the Regional Government and Law No. 33 of 2004 concerning the Financial Balance between the Central Government and Regional Governments. According to Suparmoko (Noviades, 2013), regional autonomy is the authority of autonomous regions to regulate and take care of the interests of local communities according to their initiatives based on community aspirations. Meanwhile, what is meant by an autonomous region, according to Law No. 32 of 2004 Article 1 paragraph (6), is a community unit that has territorial boundaries that are authorized to regulate and manage government affairs and the interests of local communities according to their initiatives based on community aspirations in the Unitary State system of the Republic of Indonesia.

In Indonesian Law No. 32 of 2004, it is explained that regional autonomy uses the principle of autonomy as widely as possible in the sense that regions are given the authority to manage and regulate all government affairs outside the affairs of the central government. It also included terms of regional financial management. Regional financial management power is exercised by each head of the regional financial management work unit as the APBD management officer. It is carried out by the head of the regional apparatus work unit as the regional budget/goods user official. Regional financial management must be carried out accountable and transparent, starting from planning, preparing, and implementing regional budgets (Noviades, 2013).

3.2 Regional Finance

Regional finance, according to Mamesah (Halim, 2008), all rights and obligations that can be valued in money, as well as everything in the form of money or goods that can be used as regional wealth as long as it is not owned/controlled by the state or a higher region and other parties. By applicable laws and regulations. In Permendagri No. 13 of 2006, regional finances are managed orderly, complying with laws and regulations efficiently, economically, effectively, transparently, and responsibly with due observance of the principles of fairness, propriety, and benefits for the community. The principles underlying regional financial management are transparency, accountability, and value for money, namely economic, effective, and efficient (Halim, 2008).

Indonesian Law No. 17 of 2003, article 10 paragraph (1) concerning State Finances, the exercise of power over regional financial management is carried out by two components, namely the Head of the Regional Financial Management Work Unit as the APBN management official and the SKPD Head as the State Budget/Goods User Official. In financial management, there are several inherent functions: authority, planning, supervisory, allocation, distribution, and stabilization. According to Axis (2010), there are 4 (four) dimensions inherent in regional financial management: 1. There is a dimension of rights and obligations; 2. There are dimensions of purpose and planning; 3. There are dimensions of public administration and services; and 4. There are dimensions of the value of money and goods (investment and inventory). The four dimensions concern aspects of budget preparation, budget execution, and budget accountability aspects. The regulated in Chapter VIII of Articles 155-194 of Indonesia Law no. 32 of 2004.

3.3 Legal Basis for Village Finance

The structure of the preparation and formation of the legal basis for village financial management began with the issuance of Indonesian Law No. 6 of 2014 concerning Villages whose regulation starts from Article 71 to Article 75—followed by Government Regulation No. 43 of 2014 concerning the Implementing Regulation of Indonesian Law No. 6 of 2014 concerning Villages as amended by Government Regulation No. 47 of 2015 which regulates from Article 90 to Article 106 and Minister of Home Affairs Regulation No. 113 of 2014 concerning Village Financial Management. Tiered laws and regulations have regulated village financial management. Starting with Indonesian Law No. 6 of 2014 on Villages as stipulated in Article 75 paragraph (3), which reads, "further provisions regarding Village finances are regulated by Government Regulations." Referring to Article 75 paragraph (3) of Indonesian Law No. 6 of 2014 concerning Villages, Government Regulation No. 43 of 2014 concerning Implementing Regulations of Indonesian Law No. 6 2014 concerning Villages was issued as amended by Government Regulation No. 47 of 2015.

Regulation of the Minister of domestic affairs No. 113 of 2014 concerning Village Financial Management, which consists of 6 chapters and 46 articles, covering village financial management powers, village financial management principles, APBDes structure, village financial management (planning, implementation, administration, reporting, accountability), guidance and supervision. According to Endra

& Roni (2019), based on Article 43 of the Minister of Home Affairs Regulation Number 113 of 2014 concerning Village Financial Management, it is stated that "further provisions regarding village financial management are regulated in Regent/Mayor Regulations." Thus, additional arrangements regarding village financial management will depend on each regional head.

3.4 Finance and Principles of Village Financial Management

Village financial management is often considered the same as regional financial management, even though there are separate arrangements between regional and village financial management. Likewise, the arrangements are precise in the structure for preparing and establishing the legal basis for managing village finances (Wijaya & Roni, 2019). The drafting structure and establishment of the legal basis for village financial management began with the issuance of Indonesian Law No. 6 of 2014 concerning Villages whose arrangements start from Article 71 to Article 75—followed by Government Regulation No. 43 of 2014 concerning Implementing Regulations for Law No. 6 of 2014 concerning Villages as amended by Government Regulation no. 47 of 2015 whose arrangements start from Article 90 to Article 106, and Regulation of the Minister of domestic affairs No. 113 of 2014 concerning Village Financial Management. Based on Law No. 6 of 2014 concerning Villages, villages now have several authorities to regulate and manage local community affairs and a significant source of income for village development. Law No. 6 of 2014 concerning Villages has several aspects, including aspects of village institutions, human resources, and budget management.

The Regulation Indonesian Minister of domestic affairs No. 113 of 2014 states that village finances are all village rights and obligations that can be valued in money and everything in the form of money and goods related to implementing village rights and obligations. The principles of village financial management consist of transparency, accountability, participation, order, and budget discipline. These general principles are also needed to guarantee the implementation of village governance principles (Gulo, et al., 2020). An explanation of the principles of village financial management is as follows;

a. Transparent means open, nothing is covered;
b. Accountable means accountable;
c. Participatory means prioritizing community involvement;
d. Orderly and budgetary discipline means being consistent, on time, in the right amount, and according to the principles.

The principles of village financial management need to be used as guidelines in managing village finances so that they can be used effectively, efficiently, economically, and relatively (Chabib & Heru, 2015). The explanation regarding village financial management carried out effectively is that village financial management must be able to achieve the goals or targets to be achieved, efficiently, meaning that financial management is intended to produce the best comparison between income and expenditure. While economically, it means that financial management can produce the best ratio between income and income value, in fairness, it means that financial management must be able to fulfill a sense of justice in society.

3.5 Factors Controlling Village Financial Management

Research on village financial management has been carried out, including research (Umami & Nurodin, 2017) and (Sukmawati & Nurfitriani, 2019). The study's results found various factors that affect village financial management, including transparency, accountability, and community participation. Transparency in village financial management is the management of money that is not confidential and not hidden from the community and carried out according to applicable laws and regulations. Everyone has the right to obtain information by the provisions of the law" (Indonesian Law No. 14, 2008). Accountability in village financial management is the obligation to account for or provide answers and explanations regarding the performance and actions of organizational unit leaders to those with the right to hold them accountable in the form of reports. Research (Rahmah, 2019) indicates that accountability affects village financial management.

The factor of community participation in managing village finances is taking part in an activity, which is preceded by planning and evaluation. In this regard, participation in village financial management focuses on the immediate participation of the population in making decisions, planning, implementing, and evaluating (Putera & Halim, 2010). Research (Masruhin & Kaukab, 2019) states, "community participation influences village financial management." In another study conducted by (Basri et al., 2021), other factors influence village financial management, namely Human Resources. This study's results align with those conducted by (Sugiarti & Yudiant, 2017), who identified that the quality of human resources affects the quality of village financial management. Research conducted by (Ardhi, 2016) in its case study, the implementation of financial management in the field often experiences obstacles, especially in the implementation of the village fund program, which requires an understanding of various burdensome regulations for village officials, the presence of low human resources results in this not being able to run appropriately Human resources are the most important thing for an organization, because it is apparent that human resources determine progress organization and to get that requires training and education (Rusby, 2017).

In managing village finances, apart from the factors described above, some problems/constraints affect the management and accountability of village finances. Research conducted by (Wijaya & Roni, 2019) shows that the obstacles often faced by village government administrators are divided into two parts: the first comes from the government administrators themselves, and the second comes from the community. These factors include public misunderstanding, Corruption, Collusion and Nepotism (KKN) practices, and delays in enacting Regional Regulations (Perda). The first thing is the lack of understanding of the community, where the village government is obliged to submit an accountability report on the use of village finances to the general public, so that when the Village Government empowers village communities to participate in village development, many people do not know the correct procedures for using and accountability for village finances. The second is that Corruption, Collusion and Nepotism are prohibited, but this still happens at the local government level. The third is the delay in establishing regional regulations, delays in enacting regional regulations and notification of indicative ceilings to be given to villages, causing the preparation of the Village Revenue and Expenditure Budget (APBDes) to be too late.

4. CONCLUSION

Based on the results of research on village financial management, it can be concluded that:

a. Village financial management is regulated in Permendagri No. 113 of 2014 concerning village financial management, where village financial management is the whole activity which includes planning, implementing, administering, reporting, and accountability of village finances;

b. The principle of village financial management is needed to guarantee the implementation of village governance principles. The principles of village financial management consist of transparency, accountability, participation, order, and budget discipline;

c. Transparency, accountability, community participation, and quality of human resources influence village financial management. In addition, other factors influence village financial management, namely community misunderstanding, corruption, collusion and nepotism practices, and late enactment of Regional Regulations, which result in the preparation of the Village Revenue and Expenditure Budget (APBDes) also experiencing delays.

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